



STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE ENROLLED BILL ANALYSIS

Date Amended:	Enrolled	Bill No:	AB 926
Tax:	Property	Author:	Chu
Related Bills:			

BILL SUMMARY

This bill:

- Removes the specific detail of the preliminary change of ownership report from statute and instead authorizes the Board to prescribe the form after consultation with the California Assessors' Association. §480.4
- Increases the maximum penalty cap from \$2,500 to \$10,000 for failure to file a change in ownership statement for any property (other than a property eligible for the homeowners' exemption) with an assessed value exceeding \$2.5 million. §480

ANALYSIS

Current Law

Change in Ownership Statement. Under existing property tax law, real property is reassessed to its current fair market value only when there is a "change in ownership." (Article XIII A, Sec. 2; Revenue and Taxation Code Sections 60-69.5)

Revenue and Taxation Code Section 480 requires that whenever there is a change in ownership of real property, the property owner must file a "Change in Ownership Statement" (COS). However, there is no penalty for failing to file the statement unless the assessor prompts the property owner to file the statement by making a written request. If requested, then the taxpayer has 45 days to file the COS.

Generally, the penalty for failing to timely file a statement after a written request is 10 percent of the taxes applicable to the new base year value reflecting the change in ownership, but not to exceed \$2,500 provided the failure to file the statement is not willful. Thus, at the basic 1 percent tax rate, the maximum penalty threshold of \$2,500 applies to any property with a new base year value in excess of \$2.5 million.

In actual practice, many persons file a "Preliminary Change in Ownership Report" (PCOR) rather than a "Change in Ownership Statement." The two forms are nearly identical. And, as noted below, if a PCOR is filed at the time a deed is recorded, an extra fee of \$20 is avoided. The COS and/or PCOR provide the assessor with information necessary to value the property for tax purposes, such as details about the purchase price and the terms of the sale. It also assists in determining whether the transfer of property might be eligible for one of the many change in ownership exclusions that would avoid the need to reassess the property. Both the COS and the PCOR are confidential documents pursuant to Section 481.

Although not specifically provided in statute, when a property owner files a PCOR, this form will typically satisfy the COS reporting requirement of Section 480, provided the information on the PCOR is complete. Thus, in many cases, when a PCOR is filed

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concurrently with the recording of a deed, the assessor will not subsequently make a request for a COS under Section 480. However, Section 480.3(d) provides that the authority to obtain information under this provision is in addition to, and not in lieu of, any existing authority the assessor has under Article 3.5 "Change in Ownership Reporting."

Preliminary Change in Ownership Report. Section 480.3 requires the transferee of real property to complete and file a "Preliminary Change in Ownership Report" (PCOR) when any document effecting a change in ownership, such as a grant deed, is submitted to the county recorder for recordation. If a PCOR is not concurrently filed, the document may still be recorded, but an additional recording fee of \$20 is charged.

Section 480.4 provides that the PCOR will be substantially in a particular form, as detailed, and provides that the Board may revise the form as necessary for purposes of maintaining statewide uniformity.

If a taxpayer does not file a PCOR, the assessor may subsequently request that the taxpayer file a Change in Ownership Statement (COS) pursuant to Section 480.

Proposed Law

Change in Ownership Statement. This bill would amend Section 480 to increase the maximum penalty cap from \$2,500 to \$10,000 for not filing a change in ownership statement after a written request is made under Section 480 except for properties eligible for the homeowners' exemption. In practical application, this would increase the penalty amount on any property with a new base year value in excess of \$2.5 million.

Preliminary Change in Ownership Report. This bill would amend Section 480.4 to delete the specific content of the PCOR from the statute and instead provide that the Board prescribe the form, after consultation with the California Assessors' Association, consistent with the provisions for most other Board-prescribed forms.

Background

Property Tax System. California's system of property taxation under Article XIII A of the California Constitution (Proposition 13) values property at its 1975 fair market value, with annual increases limited to the inflation rate, as measured by the California Consumer Price Index, or 2 percent, whichever is less, until the property changes ownership or is newly constructed. At the time of the ownership change or new construction, the value of the property for property tax purposes is redetermined based on current market value. The value initially established, or redetermined where appropriate, is referred to as the "base year value." Thereafter, the base year value is subject to annual increases for inflation. This value is referred to as the "factored base year value."

Board Prescribed Forms. Government Code Section 15606, subdivision (d), provides that the Board of Equalization shall:

"Prescribe and enforce the use of all forms for the assessment of property for taxation, including forms to be used for the application for reduction in assessment."

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In addition to Government Code Section 15606, the Legislature has enacted numerous statutes mandating forms for use in particular property tax programs and has specified that the Board shall prescribe the content of the forms after consultation with interested parties. Both the forms prescribed pursuant to Section 15606 and the forms prescribed pursuant to specific statutes are referred to as Board-prescribed forms. Each year, the Board staff reviews and approves all Board-prescribed forms that each county will use in the following year.

Guide to Change in Ownership Reporting Statutes

Revenue & Taxation Code Section	Subject <i>Click on link to view sample forms</i>
480	Change In Ownership Statement (COS)
480.1	BOE Change In Ownership Statement - Transfers of Legal Entity Interests <ul style="list-style-type: none"> • Legal Entity Ownership Program (LEOP): • Change In Control under §64(d)
480.2	BOE Change In Ownership Statement – Transfers of Legal Entity Interests <ul style="list-style-type: none"> • Legal Entity Ownership Program (LEOP) • Change In Ownership under §64(c)
480.3	Preliminary Change in Ownership Report (PCOR)
480.4	Preliminary Change in Ownership Report – Detail of Form
481	COS and PCOR - Confidentiality
482	Failure to File Penalties (§§480, 480.1, and 480.2)
483	Failure to File Penalties – Penalty Abatement

COMMENTS

1. **Sponsor and Purpose.** The San Francisco County Assessor is sponsoring this bill so that modifications and improvements to the PCOR can be made without the necessity of seeking legislation. In addition, increasing the penalty cap is intended to provide an incentive for property owners to file the statement. San Francisco County has had some difficulty obtaining information from property owners necessary to process changes in ownership.
2. **Amendments.** The **August 28** amendments increased the penalty cap to \$10,000. Previously, this bill would have eliminated the penalty cap so that there was no maximum penalty.
3. **Consistent with the Change in Ownership Statement and other Board Prescribed Forms.** The COS is prescribed by the Board but its specific form is not detailed in statute (See Section 480(c)). In addition, the Board prescribes many forms for use for property tax purposes.
4. **In a recent Board survey on change in ownership issues, a variety of improvements to make the PCOR more user-friendly were proposed.** Keeping

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the form in statute makes these changes difficult to implement because both the PCOR and the COS should request the same information for consistency.

5. **Consistent with the Penalty Provisions for the Legal Entity Ownership Program (LEOP).** There is no penalty cap for failure for a legal entity to timely file a legal entity change in ownership statement with the Board of Equalization after a written request (See Section 482(b)).

COST ESTIMATE

This bill would not result in any additional costs.

REVENUE ESTIMATE

This bill has no direct revenue impact. However, it is possible that more penalty monies would be collected, for a limited class of properties, but only after a failure to timely respond.

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